IN THE UNITED STATES BANKRUPTCY COURT
FOR THE MIDDLE DISTRICT OF NORTH CAROLINA
WINSTON-SALEM DIVISION

In re:	)	Case No. B-10-52274 C-11W
	)	
Youth/Adult Care Management, Inc.	)	
	)	
	)	
Debtor in Possession	)	

AFFIDAVIT

1. I am over eighteen years of age and competent to testify about the matters contained herein.

2. I am a member in good standing of the bars of North Carolina and Georgia.

3. I am a partner of McGuireWoods LLP ("the Firm") in the Raleigh, North Carolina office.

4. The Firm represents Youth/Adult Care Management, Inc. ("YACM") in the *Youth/Adult Care Management, Inc. v. Leslie Mussington and James Singleton, et al.*, Cabarrus County Superior Court File No. 09 CVS 005270, as well as the individual defendants Michael "Bo" Quickel, Chon Black, and John Horton. The litigation was brought by YACM against two former employees whom YACM alleges intentionally converted patient records and then contacted PBH's anonymous tip line to report those records missing.

5. Throughout the litigation referred to in paragraph 4 above, the undersigned was in contact with various personnel at PBH, updating them on the status of the litigation.

6. I communicated with Richard Topping, General Counsel for PBH, in person, telephonically, via letter, and e-mail. I also communicated with his paralegal, Emily Reeder, and more recently, with Andrew Walsh, Associate General Counsel. See Ex. A.

7. As a continuing part of those communications, on December 1, 2010, I contacted Richard Topping, General Counsel for PBH, and informed him that YACM was considering filing for Chapter 11 Bankruptcy protection. I told Mr. Topping that I had spoken with YACM's would-be bankruptcy attorney (someone who YACM did not engage) who indicated that he would consider petitioning the federal bankruptcy court to designate PBH as a necessary vendor. See Ex. B. I went on to request that PBH's weekly "recoupment" of 10% YACM's revenues be lowered to 5% in an effort to keep YACM in business.

8. On December 1, 2010, Mr. Topping responded to my e-mail stating that he was trying to discern would effect the bankruptcy would have on PBH's "status as a provider" for PBH. Mr. Topping stated that "off the top of [his] head" he assumed YACM could remain in the network. He also stated that he didn't have any objection to entering into some type of agreement/settlement as a part of a structured bankruptcy. See Ex. C.

9. Some time after December 1, but before December 6, I had a telephone conversation with Andrew Walsh. Mr. Walsh and I discussed the fact that YACM

intended to file for Chapter 11 Bankruptcy protection. I relayed to Mr. Walsh my client, YACM's, concern that PBH would unilaterally revoke YACM's contract with PBH, thereby cutting off YACM's revenue. Mr. Walsh said that although Mr. Walsh could "make no promises," PBH did not see that bankruptcy would be "a problem".

10. On Friday December 3, 2010, Mr. Walsh e-mailed me to notify me that PBH had received subpoenas for trial in the matter referred to in paragraph 4 above. See Ex.D.

11. I responded briefly via e-mail because Mr. Walsh and I had just spoke by telephone regarding my client YACM's decision to file bankruptcy. Mr. Walsh asked when YACM would file bankruptcy, and I replied, "it will be filed on Monday, best I can tell."

12. On Monday December 6, at 3:23, p.m., Mr. Walsh sent me another e-mail asking for a status update on the litigation referred to in paragraph 4. I responded briefly again putting him on notice of the bankruptcy saying "Motion to Continue for Monday. Entering Bankruptcy. Stay pending."

13. I was brief in my e-mail responses to Mr. Walsh because: (1) we had previously discussed this matter at a general level on the telephone— as is clear from his initial inquiry to me about the bankruptcy in the first email in the chain; and (2) because my client, YACM, was adverse to PBH regarding the alleged monies owed to PBH due to the missing Medicaid documentation that was the impetus for the lawsuit in paragraph 4. As such, knowing my adversaries in the litigation were planning to call PBH as a witness, and knowing PBH was my adversary in another matter, the attorney client privilege limited me from sharing any further information with PBH.

14. Finally, I checked my time and billing records for December 8 and 9, 2010. On December 9, my records show that I spoke with someone at PBH regarding YACM's financial situation. I do not specifically recall with whom I spoke and my time records do not say. However, given the timing of the bankruptcy filing and the e-mail traffic on that day, I can state that I most likely spoke with someone about the fact that PBH had filed for Chapter 11 Bankruptcy and would need some reprieve in the amount payments PBH was taking out of YACM's revenue in order for YACM to stay in business. This is certainly what my clients were most interested in after the lawsuit in mentioned in paragraph 4 was stayed.

This the 26 day of January, 2011.

/s/ Amy R. Worley
Amy R. Worley
MCGUIREWOODS LLP
N.C. Bar No. 28321
2600 Two Hannover Square
Raleigh, NC 27601
Telephone: 919.755.6600
Facsimile: 919.755.6699
Email:aworley@mcguirewoods.com

Sworn to and subscribed before me
This the 26 day of January, 2011.

/s/ Donna H. Wall
Notary Public

SEAL ON ORIGINAL

My Commission Expires: 11/5/11

EXHIBIT A

Worley, Amy R.

From: Worley, Amy R.
Sent: Thursday, November 19, 2009 2:49 PM
To: 'Richard Topping'
Subject: RE: Youth/Adult Care Management

Thanks Richard. Will do.

From: Richard Topping [mailto:Richard.Topping@pbhsolutions.org]
Sent: Thursday, November 19, 2009 2:48 PM
To: Worley, Amy R.
Subject: RE: Youth/Adult Care Management

Hi Amy. Sounds good. Let's just do another 30 day extension to start. If you need more time, just keep me posted. Thanks.

Richard

From: Worley, Amy R. [mailto:AWorley@mcguirewoods.com]
Sent: Wednesday, November 18, 2009 2:32 PM
To: Richard Topping
Subject: RE: Youth/Adult Care Management

Richard:

We're filing a conversion action against the "rogue" (word of the week) employee, followed by document requests. I expect that we'll have to file a motion to compel to get what we want. How about I just keep you posted?

Amy

From: Richard Topping [mailto:Richard.Topping@pbhsolutions.org]
Sent: Tuesday, November 17, 2009 6:15 PM
To: Worley, Amy R.
Subject: RE: Youth/Adult Care Management

Hi Amy. Sure. Just let me know how much time you need and I'll have our finance folks suspend the recoupment scheduled for this Friday. I definitely need to know by Thursday.. Payments are processed on Fridays, and since I hadn't heard back last Thursday, recoupment began as scheduled. PBH's last payment to YACM was reduced 10%. That payment has already been processed and will be applied against the outstanding payback amount. Of course, if in the end, that needs to be a credit, we can convert it accordingly.

Also, I really must insist that Chon Black not contact my clients directly on this, or any legal matter, without my permission again. He did so again today for the third time. I'll be forced to make it an issue if it continues.

Just let me know on how much time you need so we can plan accordingly.

Thanks.

Richard

From: Worley, Amy R. [mailto:AWorley@mcguirewoods.com]
Sent: Tuesday, November 17, 2009 3:39 PM
To: Richard Topping
Subject: RE: Youth/Adult Care Management

Richard:

YA Care's Board is meeting to determine next steps. Would you allow a couple more weeks for us to determine our course of action. We'll have an answer for you by 12/4 at the latest.

Amy

From: Richard Topping [mailto:Richard.Topping@pbhsolutions.org]
Sent: Wednesday, November 04, 2009 11:18 AM
To: Worley, Amy R.
Subject: Youth/Adult Care Management

Hi Amy. We've finished reviewing the Division of Health Service Regulation surveys your client submitted. Between the employment records previously submitted and the DHSR surveys recently submitted, your client appears to have corroboration that YACM provided the services in question and, at one time, possessed the documentation now missing.

Unfortunately, none of records or surveys submitted change the circumstances of this case. The bottom line is YACM billed for healthcare services, was paid for healthcare services, and must be able to produce the records demonstrating that those services were actually provided.

However, as it does appear that the records did exist at one time, the contention that a former business partner took the records seems plausible to PBH. Hence, we can provide an additional extension in order to give you time to issue a subpoena. PBH will abide by a judge's determination regarding the disposition of the records. We believe our regulators would be willing to do so as well.

Please let me know if you would like additional time to subpoena the records and we can coordinate.

Thanks.

Richard

Richard F. Topping, J.D., M.P.H.
General Counsel
PBH
245 LePhillip Court
Concord, NC 28025
Voice: (704) 721-7006
Fax: (704) 721-7010
http://www.pbhsolutions.org/

Worley, Amy R.

From: Worley, Amy R.
Sent: Thursday, March 25, 2010 4:14 PM
To: 'Richard Topping'
Cc: Worley, Amy R.
Subject: FW: Youth/Adult Care Management - Richard Topping ltr
Attachments: Youth - Adult - Topping ltr regarding extension.pdf

Richard:

Please find the attached letter.

Thanks,
Amy

Amy Reeder Worley
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Raleigh, NC 27601
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March 25, 2010

Richard S. Topping, General Counsel
Piedmont Behavioral Health
245 LePhillip court, NE
Concord, NC 28025

Re: Youth/Adult Care Management

Dear Richard:

I am writing to request an additional thirty (30) day extension to pursue the lawsuit against Leslie Mussington and James Singleton. The defendants were able to secure an additional extension of time from the court due to the fact that their attorney had been in a three week trial. We expect a response to our discovery on Monday, March 29, 2010. At that point, we will be able to determine whether or not we need to seek a motion to compel.

My client very much appreciates your cooperation in allowing these extensions. Please let me know if you have any comments or concerns.

Sincerely,

MCGUIREWOODS, LLP

Amy R. Worley

ARW/sc

9295240

Bcc: Chon Black (*via email*)
Bo Quickel (*via email*)
John Horton (*via email*)

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Worley, Amy R.

From: Richard Topping [Richard.Topping@pbhsolutions.org]
Sent: Friday, October 01, 2010 11:29 AM
To: Worley, Amy R.
Cc: Emily Reeder
Subject: RE: Y/A Care

Hi Amy. Thanks for the update. I've discussed the situation with our leadership here and we can do one more 30 day extension to get you all through mediation. However, if your client is still unable to produce the records or an order regarding the records at that time, PBH must begin recoupment. It's been a year since YACM declined PBH's settlement offer. As we discussed at that time, PBH bears the audit and payback risk until this is resolved. PBH, of course, will adjust its response when/if the records or an order are obtained. Emily will get you a letter out today. Thanks.

Richard

From: Worley, Amy R. [mailto:AWorley@mcguirewoods.com]
Sent: Thursday, September 30, 2010 12:29 PM
To: Richard Topping
Cc: Emily Reeder
Subject: Y/A Care

Richard:

This email is to request and additional extension of time for Y/A Care to pursue an order from the court regarding the missing supervision records. I took Defendant James Singleton's deposition on Sept. 16th. I was hoping to depose Mr. Mussington as well. However, Mr. Singleton filed numerous ridiculous counterclaims that required me to establish a record sufficient for dismissal on summary judgment. This took most of a day. We, sadly, learned at the deposition that Mr. Singleton has suffered a stroke and has severe memory problems. He has very little functional memory of his time at Y/A Care. In fact, he required the court reporter to repeat most of my questions as many as 4 times. It was a long day. Given Mr. Singleton's obvious limitations, defendants' case will turn on Mr. Mussington. I plan to take his depo in the next few weeks. My associate is working with his attorney now to find mutually acceptable dates.

So far, the defendants/counter-plaintiffs have not noticed the depositions of my client. I had assumed they would but time is running short. We have a mandatory mediation deadline on 10/17.

Please let me know what other information I can provide for you.

Best,

Amy

Amy Reeder Worley
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Direct Dial (919) 755-6570
Direct Fax (919) 755-6613
aworley@mcguirewoods.com

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Worley, Amy R.

From: Richard Topping [Richard.Topping@pbhsolutions.org]
Sent: Wednesday, December 01, 2010 3:47 PM
To: Worley, Amy R.; Andrew Walsh
Cc: Emily Reeder
Subject: Re: Important: Time Sensitive Youth Adult Care Emergency

Hi Amy. No worries at all. I've got an email out to find out what affect bankruptcy would have on their status as a provider for us. Off the top of my head, I don't know. However, assuming they can remain in the network, I don't have any objection to entering into some type of an agreement/settlement as part of a structured bankruptcy. I'll give you a shout when I have more info.

Richard

From: Worley, Amy R. <AWorley@mcguirewoods.com>
To: Richard Topping
Cc: Emily Reeder
Sent: Wed Dec 01 15:05:27 2010
Subject: Important: Time Sensitive Youth Adult Care Emergency

Richard:

I just spoke with Emily who said you're at a conference. I hope you're enjoying yourself. I'm sorry to bother you but this is an emergency.

The Mussington/Singleton counterclaims against my clients have caused them to consider filing Chapter 11 Bankruptcy in lieu of trial on the 13th. I have spoken to their would-be bankruptcy attorney who says he would petition the court to designate PBH as a necessary vendor so that YACM can continue to pay PBH without interruption. My clients want to know if filing will affect YACM's status with PBH in any way. They need to do this to re-organize into a leaner, more financially stable company. However, the company won't file if it will affect their status with you. I personally believe it is in their financial best interest, and in the consumers best interest for them to file. I also think it is in PBH's best interest. The better financial shape that YACM is in, the more likely PBH will recoup the full compromised amount of the recoupment.

Also, my client is agreed to compromise the claim to the $410,710.27 less any recoupments already made. It would be a great financial help to them if their monthly payment could be reduced from 10% per week down to 5% per week or less. They are having a hard time making payroll at the current amount. Please let me know if you think that will work. Chon did communicate with finance but they told him they had to hear a number from you.

Again, I'm sorry to interrupt you at your conference but these issues, especially the first one, are time sensitive, because if YAMC is going to file, it has to do it by Friday.

Thanks,

Amy

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aworley@mcguirewoods.com

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Worley, Amy R.

From: Worley, Amy R.
Sent: Monday, December 06, 2010 3:26 PM
To: Andrew Walsh
Subject: RE: YACM v Mussington/Singleton

Looking up. Motion to Continue for Monday. Entering bankruptcy. Stay pending. Settlement discussions with defendants are suddenly more fruitful.

From: Andrew Walsh [mailto:Andrew.Walsh@pbhsolutions.org]
Sent: Monday, December 06, 2010 3:23 PM
To: Worley, Amy R.
Subject: RE: YACM v Mussington/Singleton

Amy: Status?

Andrew M. Walsh, JD-MBA
Associate General Counsel

pbH NCQA

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From: Worley, Amy R. [mailto:AWorley@mcguirewoods.com]
Sent: Friday, December 03, 2010 1:24 PM
To: Andrew Walsh
Cc: Richard Topping; Emily Reeder; Tina Santiago
Subject: RE: YACM v Mussington/Singleton

It will be filed on Monday, best I can tell.

I am so sorry you're being bothered with this. All I can tell you is misery loves company.

From: Andrew Walsh [mailto:Andrew.Walsh@pbhsolutions.org]
Sent: Friday, December 03, 2010 1:11 PM
To: Worley, Amy R.
Cc: Richard Topping; Emily Reeder; Tina Santiago
Subject: YACM v Mussington/Singleton
Importance: High

Amy: As anticipated, Bill Moore served subpoenas on PBH today to appear at the trial. I'm sure you received a copy. So we can respond to the subpoenas appropriately, please notify Richard and me immediately when the YACM bankruptcy petition is filed. Thank you.

P.S. Please note I will be out of the country Dec. 11th - Jan. 3rd.

Andrew M. Walsh, JD-MBA
Associate General Counsel

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Amy: Status?

Andrew M. Walsh, JD-MBA
Associate General Counsel

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Andrew M. Walsh, JD-MBA
Associate General Counsel

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